

## Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 EB-07 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 OES-06 GSA-01

PA-01 PRS-01 /067 R

DRAFTED BY ARA/AND/B - MR. PACE:LEE

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EB/ISM - WCLENAHAN

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R 032203Z DEC 76

FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ

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E.O. 11652: N/A

TAGS: EMIN, BL

SUBJECT: BOLIVIAN DEMARCHE ON TIN

REFS: (A) LA PAZ 9545; (B) LA PAZ 9547

1. BOLIVIAN AMBASSADOR CRESPO AND DCM JUAN CARIAGA CALLED ON EB DEPUTY ASSISTANT SECRETARY BOSWORTH DECEMBER 2 TO PRESENT ORAL DEMARCHE SIMILAR TO THAT REPORTED BY EMBASSY LA PAZ IN REFTEL B. CRESPO STATED THAT IF PRESENT FLOOR AND CEILING PRICES USED BY BUFFER STOCK MANAGER ARE CONTINUED, BUFFER STOCK WILL NOT WORK. MOST BOLIVIAN PRODUCERS WOULD BE FORCED OUT OF THE MARKET SHOULD PRICES FALL AGAIN INTO THE \$2.80 RANGE BEFORE THE BSM ENTERED THE MARKET. CRESPO ALSO NOTED THAT WORLD MARKET DEMAND FOR TIN IS EXPECTED TO GROW, CONTENDING THAT THIS SITUATION COULD LEAD TO VERY HIGH WORLD MARKET PRICES FOR TIN WITHIN A LIMITED OFFICIAL USE

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SHORT TIME. IF THE US THEN ENTERED THE MARKET IN A MASSIVE

FASHION WITH ITS GSA TIN STOCKPILE, DEPLETION OF STOCKPILE EXCESSES COULD THEN OCCUR WITHIN AS FEW AS 4-5 YEARS. AT SUCH A POINT, WITH ITS OWN SURPLUS STOCKS EXHAUSTED, THE UNITED STATES MIGHT FIND ITSELF FACED WITH "A NEW OPEC" IN TIN, CRESPO STATED. CRESPO CLAIMED THAT BOLIVIA SEES BOTH ITS OWN INTERESTS AND THOSE OF THE UNITED STATES AS BEING SERVED BY A STEADY PRICE LEVEL FOR TIN ON THE WORLD MARKET.

CONCLUDING HIS DISCUSSION, CRESPO STATED THAT IT IS IN THE US NATIONAL INTEREST TO MAINTAIN BOLIVIA AS A MAJOR TIN PRODUCER, RECALLING THE ROLE PLAYED BY BOLIVIAN TIN DURING WORLD WAR II. NOTING THE ONGOING DECLINE IN BOLIVIA'S TIN RESERVES, CRESPO ADDED THAT BOLIVIA WILL BE UNABLE TO ALLOCATE THE NECESSARY FUNDS FOR EXPLORATION AND DEVELOPMENT OF NEW DEPOSITS IF HIGHER FLOOR AND CEILING PRICE LEVELS ARE NOT APPROVED AT THE FORTHCOMING ITC MEETING.

2. IN RESPONSE, BOSWORTH STATED THAT THE USG RECOGNIZES THE IMPORTANCE OF THIS ISSUE FOR BOLIVIA, AND IS REVIEWING ITS POSITION CAREFULLY IN PREPARATION FOR THE ITC MEETING. HE ASSURED AMBASSADOR CRESPO THAT BOLIVIA'S VIEWS WILL BE TAKEN INTO ACCOUNT FULLY DURING THIS REVIEW, WHICH THE US IS APPROACHING WITH AN OPEN MIND. BOSWORTH EXPLAINED THAT THE QUESTION OF THE APPROPRIATE FLOOR AND CEILING PRICES FOR TIN IS NOT A SIMPLE ISSUE FOR THE US, AS IT IS NOT FOR BOLIVIA EITHER. HE NOTED THAT THE US SHARES BOLIVIA'S INTEREST IN MODERATING EXTREME PRICE SWINGS, AND IN MAKING THE ITC A VIABLE FORCE IN THE MARKET. AN IMPORTANT PROBLEM HERE IS THE VARIATION IN COSTS BETWEEN DIFFERING PRODUCER NATIONS. BOSWORTH STATED THAT EXCESS RENTS ARE BEING TAKEN BY SOME GOVERNMENTS AS TAXES, RATHER THAN BEING USED BY THE INDUSTRY ITSELF FOR INVESTMENT. BOSWORTH CONCLUDED BY AGAIN ASSURING CRESPO THAT HIS VIEWS WOULD BE FULLY CONSIDERED AS THE USG DEVELOPS ITS POSITION PRIOR TO THE DECEMBER 6 MEETING.

3. EMBASSY IS COMMENDED FOR ITS EXCELLENT REPORTING. REFTEL A WILL BE PARTICULARLY USEFUL FOR THE DEPARTMENT IN FORMULATING ITS POLICY TOWARD FLOOR AND CEILING PRICE LEVELS AT THE DECEMBER ITC MEETING. KISSINGER  
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## Message Attributes

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